FedTelligence

Understanding VERA/VSIP/RIF

Presented for:
Colorado Federal Executive Board
Lakewood, CO
June 20, 2017
Presenter: Ann Vanderslice

AnnVanderslice
RETIREMENT PLANNING STRATEGIES
www.annvanderslice.com

Proposed 2018 Budget Focuses on Federal Benefit Changes

AnnVanderslice
RETIREMENT PLANNING STRATEGIES

Proposed Federal Benefit Changes

Retirement Contributions

Proposed Federal Benefit Changes

FERS Supplement

AnnVanderslice
RETIREMENT PLANNING STRATEGIES

Proposed Federal Benefit Changes

High 5

Proposed Federal Benefit Changes

No COLA for FERS Retirees

History

The Office of Management and Budget (OMB) requires all agencies to develop plans to reduce their workforce based on the President's proposed cuts.

Initial plans are due from agencies by June 30, 2017.

These cuts are predicated on the final budget enacted by Congress and there will likely be significant changes as it works its way through the process.

So far, three agencies have indicated they plan to offer early retirement incentives - Environmental Protection Agency, Department of Interior and State Department.

Agency Options

- Attrition
- Early Out (VERA)
- Buy Out (VSIP)
- Reduction in Force

Attrition

As of September 2017, 31% of the 2.6 million federal workforce is eligible to retire.

Voluntary Early Reduction Authority

“VERA” aka Early Out

Under a VERA, agencies that are undergoing substantial restructuring, reduction in force, reshaping, downsizing, or reorganization have the ability to temporarily lower the age and service requirements to increase the number of employees who are eligible to retire.

Voluntary Early Reduction Authority

VERA may be used on an occupational series or grade; skills, knowledge, or other factors related to a position; organizational, geographical, non-personal and objective factors, or a combination of these factors to determine eligibility for the VERA offer.

Voluntary Early Reduction Authority

The agency must request VERA approval from the Office of Personnel Management "OPM" before it can be offered to employees.

OPM has currently set up a special group to process and expedite agency requests for VERA.

The approval from OPM will stipulate a timeframe in which the option will remain available.

Note: Department of Defense "DoD" has an agency-specific permanent VERA authorization and is not required to seek approval for each VERA offering.

Voluntary Early Reduction Authority

VERA offers apply to both CSRS and FERS employees.

The qualifications for VERA participation include:

- Meet the minimum age and service requirements:
  - At least age 50 with at least 20 years of service; OR
  - Any age with at least 25 years of service;
- Have served in a position covered by the OPM authorization for a minimum time specified (typically, 30 days)
- Serve in a position covered by the agency's VERA plan
- Separate by the close of the early-out period

Impact of VERA on Pension Calculation

"CSRS"

Calculation of CSRS pension is based on years and months of creditable service at retirement (including unused sick leave) and CSRS employee's High 3.

However - if the employee is under the age of 55 when they accept the VERA, their pension will be reduced by 1/6th of 1% for each full month the employee is under age 55. This equates to 2%/year for each year under age 55. This penalty is a permanent reduction.

Impact of VERA on Pension Calculation

"FERS"

Calculation of FERS pension is based on years and months of creditable service at retirement (including unused sick leave) and FERS employee's High 3.

There is no annuity reduction for FERS employees who are eligible and retire early.

When the FERS employee reaches their Minimum Retirement Age "MRA," they are eligible for the FERS Supplement.

FERS Minimum Retirement Age

If you were born:	Your FERS MRA is:
before 1948	55
in 1948	55 and 2 months
in 1949	55 and 4 months
in 1950	55 and 6 months
in 1951	55 and 8 months
in 1952	55 and 10 months
in 1953 – 1964	56
in 1965	56 and 2 months
in 1966	56 and 4 months
in 1967	56 and 6 months
in 1968	56 and 8 months
in 1969	56 and 10 months
1970 or after	57

AnnVanderslice
RETIREMENT PLANNING STRATEGIES

Voluntary Separation Incentive Payment

“VSIP” aka Buy Out

The VSIP allows agencies that are undergoing downsizing or restructuring to offer employees lump-sum payments up to $25,000 as an incentive to voluntarily separate.

Voluntary Separation Incentive Payment

When authorized by OPM, agencies may offer VSIPs to employees who are in surplus positions or have skills no longer needed in the agency's workforce.

VSIPs may be used to help agencies minimize or avoid involuntary separations through reductions in force "RIF."

Voluntary Separation Incentive Payment

Employees must meet general eligibility requirements, as follows:

- Be serving in an appointment without a time limit
- Be currently employed by the Executive Branch of the Federal Government for at least 3 years.
- Be serving in a position covered by an agency VSIP plan
- Apply for and receive approval for a VSIP from the agency making the VSIP offer
- Not be included in any ineligibility category

Voluntary Separation Incentive Payment

Ineligibility categories include:

- Have a disability such that the individual is or would be eligible for a disability retirement
- Have received a decision notice of involuntary separation for misconduct or poor performance
- Previously received any VSIP from the Federal Government
- During the 36-month period preceding the date of separation, performed service for which a student loan repayment benefit was paid, or is to be paid
- During the 24-month period preceding the date of separation, performed service for which a recruitment or relocation incentive was paid, or is to be paid
- During the 12-month period preceding the date of separation, performed service for which a retention incentive was paid, or is to be paid

Voluntary Separation Incentive Payment

The VSIP payable amount is calculated on the lesser of:

An amount equal to the severance pay the employee would be entitled to receive, without adjustment for any previous payment made; or

An amount determined by the agency head, not to exceed $25,000

Voluntary Separation Incentive Payment

Re-employment with the federal government after accepting a VSIP -

If the employment is within five years of accepting the VSIP, the employee must repay the entire VSIP amount to the agency that paid it before the individual's first day of re-employment.

This includes work under a personal services contract or other direct contract.

Reductions in Force

"RIF" Procedures

Some agencies who are conducting a significant job reduction may use formal reduction-in-force procedures published by OPM. There are four standards for determining which employees are released and retained (whether in their current position or in another position:

- Tenure of employment
- Veterans preference
- Length of service
- Performance ratings

For tenure groups, temporary employees and those with term appointments (Tenure Group III) will be separated before any employees with career status (Tenure Group I) or career-conditional status employees (less than 3 years of service - Tenure Group II).

Reductions in Force

"RIF" Procedures

The agency defines the competitive area which may consist of all or part of an agency.

The agency then groups interchangeable positions into competitive levels based upon similarity of grade, series, qualifications, duties and working conditions. Positions with different types of work schedules are placed in different competitive levels.

Management and supervisors are placed in competitive levels of only those positions.

Competitive and excepted service positions are placed in separate competitive levels.

Reductions in Force

"RIF" Procedures

Four retention factors are applied and the competitive level becomes a retention register, listing employees in the order of their retention standing:

TENURE:

Group I - Career employees who are not serving on probation

Group II - Career employees who are serving a probationary period and career conditional employees

Group III - employees serving under term and similar non-status appointments

Reductions in Force

"RIF" Procedures

Four retention factors are applied and the competitive level becomes a retention register, listing employees in the order of their retention standing:

VETERANS PREFERANCE:

Subgroup AD - Veterans with a compensable service-connected disability of 30% or more

Subgroup A - Veterans not included in subgroup AD

Subgroup B - Non veterans

Retired veterans are considered veterans for RIF purposes under very limited conditions.

Reductions in Force

"RIF" Procedures

Four retention factors are applied and the competitive level becomes a retention register, listing employees in the order of their retention standing:

LENGTH OF SERVICE:

Employees are ranked by service date within each subgroup. The service dates include creditable civilian and military service, and additional service credit for certain performance ratings.

Reductions in Force

"RIF" Procedures

Four retention factors are applied and the competitive level becomes a retention register, listing employees in the order of their retention standing:

PERFORMANCE:

Employees receive extra RIF service credit for performance based upon the average of their last 3 annual performance ratings of record from the 4-year period prior to the date the agency issues RIF notices.

Service is broken down by:

* 20 additional years for "outstanding" rating
* 16 additional years for "exceeds fully successful" rating
* 12 additional years for a "fully successful" rating

Reductions in Force

"RIF" Procedures

SEVERANCE PAY:

Severance pay is paid to permanent employees with at least one year of service who are separated through no fault of their own. Basic severance pay allowance consists of:

* 1 week of pay at the basic rate of pay for each full year of creditable service through 10 years

* 2 weeks of pay at the basic rate of pay for each full year of creditable service beyond 10 years

* 25% of the otherwise applicable amount for each full three months of creditable service beyond the final full year

* Additional benefit for age adjustment allowance of 2.5% of the basic serverance pay allowance for each full three months of age over 40 years.

Reductions in Force

"RIF" Procedures

SEVERANCE PAY:

Lifetime maximum = 52 weeks of pay

Flexible spending accounts for healthcare are closed on separation.

Flexible spending accounts for childcare are available for use through the plan year.

FEHB and FEGLI continue for 31 days after a RIF separation at no cost. Those retiring may continue coverage into retirement.

For those not retiring, FEHB coverage can be continued for up to 18 months by paying both the employee and employer share.

Reductions in Force

INSURANCE CONSIDERATIONS

Flexible spending accounts for healthcare are closed on separation.

Flexible spending accounts for childcare are available for use through the plan year.

FEHB and FEGLI continue for 31 days after a RIF separation at no cost. Those retiring may continue coverage into retirement.

For those not retiring, FEHB coverage can be continued for up to 18 months by paying both the employee and employer share.

Reductions in Force

INSURANCE CONSIDERATIONS

For those not retiring, FEGLI may be converted to an individual policy without underwriting with the enrollee paying the full premium.

Coverage under the Federal Dental and Vision Insurance Program ends upon separation.

Coverage under the Federal Long-term Care Program continues as long as the enrollee continues to pay the premiums.

Employees separated by RIF are normally eligible for unemployment compensation.

Reductions in Force

PLACEMENT SERVICES:

Competitive service employees in Groups I and II who have received a specific notice of separation by a RIF are eligible for placement assistance in finding another position.

Ann Vanderslice is a registered representative of Cabot Lodge Securities, LLC and an Individual Advisory Representative of CL Wealth Management. Ann Vanderslice, Retirement Planning Strategies, and Cabot Lodge Securities, LLC and Cabot Lodge Wealth Management are unaffiliated entities.